

This digest covers the views of various authorities that are of general interest. It does not include any strictly confidential information nor specific advices from the sources.

BUSINESS CONDITIONS

Vol. 7 No. 4

April, 1934

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	At the beginning of the second quarter satisfactory progress toward business improvement is manifest both here and abroad (April 5).	Business is getting a temporary stimulus from public expenditures and other emergency measures. Beneath this priming of the pump there are strong fundamental conditions (April 2).	Underlying economic forces remain favorable to a continuation of the recovery. Some encouragement to business initiative and investment confidence from Washington would give impetus to expansion in the sphere of durable goods (April 9).	All the fundamentals for a great recovery movement are present except fuller confidence. No single development could do more toward the improvement of sentiment than the knowledge that reform had become subservient to recovery (April 6).	The ven and tion pay
MONEY AND CREDIT	The financial situation with respect to excess reserves, the loan-deposit ratio and similar measures of ease and strain continues exceptionally favorable (April 5).	Banking statistics are unfavorable to the extent that they show the expected expansion of credit is not yet appreciably under way (April 9).	Credit conditions are very easy, in contrast with the tightness prevailing a year ago (March 31).	If a substantial and sustained advance in bank credit does take place, it will probably be the forerunner of a similar expansion in general trade and may carry the present recovery movement to heights now thought most improbable (April 13).	W inci which tion larg app
SECURITY MARKETS	Stock prices have taken business improvement already accomplished into account. Whether much vigor later in year depends in no small measure upon whether profits are likely to exceed those which market has now discounted (April 5).	Bond market continues to move around the highest levels since recovery began. Further advances will call for growing carefulness (April 16).	During the month of March security markets were subjected to a veritable avalanche of bad news. Yet, price declines were extraordinarily small. We regard this as a favorable sign (April 9).	While the stock market continues responsive to day-to-day "news" from Washington, the bond market continues to hold well, indicative of a long term upward trend (March 29).	T bon mon lack
PRODUCTION	Factory output in February 29.5% larger than same month last year when the index was 61. Preliminary reports indicate there was some further increase in March and another gain is expected in April (March 31).	Marked increases of activity reported in many lines: Steel, shoes, textiles, autos, farm machinery and tools. As industrial activity gains headway, production of electric power should be much larger (April 2).	Industrial activity apparently ended March at about the same general level as at the start of the month; little, if any, of the gain of preceding three months was relinquished but progress was halted (April 2).	Electric power production was 18.8% greater than in the same week last year. Steel industry showed a slight gain in operations with a larger gain in prospect (April 6).	It a fa tion Mar to labor 31).
DISTRIBUTION	The probability is that loadings during the second quarter will show some increase over the first quarter and that the increase over last year will be greater than the 10.7% estimated by the shippers' boards (April 14).	In a broad way, department store sales responded to business betterment but trend has been somewhat irregular. Changes in carloadings figures will probably be small for near future (April 16).	Our index of carloadings shows a gain over last year of 19%, and department store sales show a rise of 16% (March 31).	The current indexes of trade, such as freight carloadings, motor car sales and movement of goods at retail and wholesale, continue to give very satisfactory accounts of themselves (March 29).	C seas high
BUILDING	During first quarter of 1934, building activity in the field of private enterprise showed considerable improvement over same period last year (March 31). Value of contracts awarded for public works for March increased (April 14).	The building trades are clearly due for an important recovery (April 16).	Private building continues to labor under several handicaps, but fair possibilities for new building exist in the field of small homes (April 9).	The first 22 days of March showed a total of \$142,000,000 of new contracts let which compares with \$97,000,000 for the entire month of February and \$42,000,000 for the entire month of March, 1933 (March 29).	T prob of r pers the dust
AGRICULTURE	During the first two months of the current year, farmers received a cash income of \$897 million as compared with \$597 million in the first two months last year. This increase was due primarily to the rise in prices (March 31).	In face of nervousness, hesitation, caution, farm product prices did well last month. Our Agricultural Index touched 91.8 (April 9).	Benefit payments, and higher prices of agricultural commodities will in all probability raise farm purchasing power by at least 30% (March 31).		S con diti pay men acre 14).
COMMODITY PRICES	Prospective rise in prices of manufactured goods in April should carry the value index to the peak of the current upward movement. It is likely that May will see the beginning of a reaction (April 7).	Rising price levels are ahead, and this means both farm and factory commodities (April 9).	Until capital is encouraged and industrial activity generally stimulated there will be the grave danger that price advances will be reflected in lower sales (April 9).	From present indications, the greatest single influence making for higher commodity prices, expanding bank credit, will make itself felt more and more during the coming months (April 13.)	W slight pric tion entl just like
FOREIGN TRADE AND CONDITIONS	For the fifth consecutive year, international payments showed a balance in favor of the U. S. Exports of visible and invisible items exceeded imports by \$277 million (April 7).	From present tendencies we look for quite a sharp advance in imports. Despite Government's struggles to increase exports, no radical change is expected immediately (April 16).	Our export trade has received stimulus from the depreciation of the dollar (April 9).	The world-wide forces making for recovery and now becoming more and more evident in many quarters cannot be obstructed by the efforts of any individual or group of individuals (March 29).	W port (Ma
LABOR AND WAGES	Number of persons employed in the U.S. rose to 36,296,000 in February, an increase of 386,000. Factory payrolls increased sharply in February over the previous month (April 7).	With settlement of the threatened automobile strike, spring's labor troubles passed their danger peak. Heaviest weight hanging over industry is thus removed and both employment and payrolls should continue to improve (April 2).	Labor troubles are now brewing in many troubles. An increasing number of labor disputes is invariably a sign of reviving economic activity (April 2).	Decision of the steel and automotive industries to increase wages by 10% will doubtless be followed by others and result in higher payrolls (March 29).	A doe of t trol

This digest covers the views of various authorities that are of general interest. It does not include any strictly confidential information nor specific advices from the sources.

BUSINESS CONDITIONS

Vol. 7 No. 4

April, 1934

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	At the beginning of the second quarter satisfactory progress toward business improvement is manifest both here and abroad (April 5).	Business is getting a temporary stimulus from public expenditures and other emergency measures. Beneath this priming of the pump there are strong fundamental conditions (April 2).	Underlying economic forces remain favorable to a continuation of the recovery. Some encouragement to business initiative and investment confidence from Washington would give impetus to expansion in the sphere of durable goods (April 9).	All the fundamentals for a great recovery movement are present except fuller confidence. No single development could do more toward the improvement of sentiment than the knowledge that reform had become subservient to recovery (April 6).	The ven and tion pay
MONEY AND CREDIT	The financial situation with respect to excess reserves, the loan-deposit ratio and similar measures of ease and strain continues exceptionally favorable (April 5).	Banking statistics are unfavorable to the extent that they show the expected expansion of credit is not yet appreciably under way (April 9).	Credit conditions are very easy, in contrast with the tightness prevailing a year ago (March 31).	If a substantial and sustained advance in bank credit does take place, it will probably be the forerunner of a similar expansion in general trade and may carry the present recovery movement to heights now thought most improbable (April 13).	W inci which tion larg app
SECURITY MARKETS	Stock prices have taken business improvement already accomplished into account. Whether much vigor later in year depends in no small measure upon whether profits are likely to exceed those which market has now discounted (April 5).	Bond market continues to move around the highest levels since recovery began. Further advances will call for growing carefulness (April 16).	During the month of March security markets were subjected to a veritable avalanche of bad news. Yet, price declines were extraordinarily small. We regard this as a favorable sign (April 9).	While the stock market continues responsive to day-to-day "news" from Washington, the bond market continues to hold well, indicative of a long term upward trend (March 29).	T bon mon lack
PRODUCTION	Factory output in February 29.5% larger than same month last year when the index was 61. Preliminary reports indicate there was some further increase in March and another gain is expected in April (March 31).	Marked increases of activity reported in many lines: Steel, shoes, textiles, autos, farm machinery and tools. As industrial activity gains headway, production of electric power should be much larger (April 2).	Industrial activity apparently ended March at about the same general level as at the start of the month; little, if any, of the gain of preceding three months was relinquished but progress was halted (April 2).	Electric power production was 18.8% greater than in the same week last year. Steel industry showed a slight gain in operations with a larger gain in prospect (April 6).	It a fa tion Mar to labor 31).
DISTRIBUTION	The probability is that loadings during the second quarter will show some increase over the first quarter and that the increase over last year will be greater than the 10.7% estimated by the shippers' boards (April 14).	In a broad way, department store sales responded to business betterment but trend has been somewhat irregular. Changes in carloadings figures will probably be small for near future (April 16).	Our index of carloadings shows a gain over last year of 19%, and department store sales show a rise of 16% (March 31).	The current indexes of trade, such as freight carloadings, motor car sales and movement of goods at retail and wholesale, continue to give very satisfactory accounts of themselves (March 29).	C seas high
BUILDING	During first quarter of 1934, building activity in the field of private enterprise showed considerable improvement over same period last year (March 31). Value of contracts awarded for public works for March increased (April 14).	The building trades are clearly due for an important recovery (April 16).	Private building continues to labor under several handicaps, but fair possibilities for new building exist in the field of small homes (April 9).	The first 22 days of March showed a total of \$142,000,000 of new contracts let which compares with \$97,000,000 for the entire month of February and \$42,000,000 for the entire month of March, 1933 (March 29).	T prob of r pers the dust
AGRICULTURE	During the first two months of the current year, farmers received a cash income of \$897 million as compared with \$597 million in the first two months last year. This increase was due primarily to the rise in prices (March 31).	In face of nervousness, hesitation, caution, farm product prices did well last month. Our Agricultural Index touched 91.8 (April 9).	Benefit payments, and higher prices of agricultural commodities will in all probability raise farm purchasing power by at least 30% (March 31).		S con diti pay men acre 14).
COMMODITY PRICES	Prospective rise in prices of manufactured goods in April should carry the value index to the peak of the current upward movement. It is likely that May will see the beginning of a reaction (April 7).	Rising price levels are ahead, and this means both farm and factory commodities (April 9).	Until capital is encouraged and industrial activity generally stimulated there will be the grave danger that price advances will be reflected in lower sales (April 9).	From present indications, the greatest single influence making for higher commodity prices, expanding bank credit, will make itself felt more and more during the coming months (April 13.)	W slight pric tion entl just like
FOREIGN TRADE AND CONDITIONS	For the fifth consecutive year, international payments showed a balance in favor of the U. S. Exports of visible and invisible items exceeded imports by \$277 million (April 7).	From present tendencies we look for quite a sharp advance in imports. Despite Government's struggles to increase exports, no radical change is expected immediately (April 16).	Our export trade has received stimulus from the depreciation of the dollar (April 9).	The world-wide forces making for recovery and now becoming more and more evident in many quarters cannot be obstructed by the efforts of any individual or group of individuals (March 29).	W port (Ma
LABOR AND WAGES	Number of persons employed in the U.S. rose to 36,296,000 in February, an increase of 386,000. Factory payrolls increased sharply in February over the previous month (April 7).	With settlement of the threatened automobile strike, spring's labor troubles passed their danger peak. Heaviest weight hanging over industry is thus removed and both employment and payrolls should continue to improve (April 2).	Labor troubles are now brewing in many troubles. An increasing number of labor disputes is invariably a sign of reviving economic activity (April 2).	Decision of the steel and automotive industries to increase wages by 10% will doubtless be followed by others and result in higher payrolls (March 29).	A doe of t trol

NEWS AND FORECASTS

Prepared Monthly by the AMERICAN MANAGEMENT ASSOCIATION
Reproduction Not Permitted

1934

Copyright, 1934 by the AMERICAN MANAGEMENT ASSOCIATION

SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>The problem of business during the next few months will be to prevent reduction in volume of demand and a consequent cumulative reduction in employment and therefore payrolls (April 14).</p>	<p>Business has been improving steadily and rapidly during the past five months (April 16).</p>	<p>The trend of general business activity in recent weeks has continued irregularly upward, with the expansion partly, though not entirely, seasonal in nature (March 26).</p>	<p>Business in general has made progress during March. Heavy industries, and particularly those making capital goods, are still lagging and keep the industrial situation unbalanced (April).</p>
<p>We are now in that stage of an incipient and potential inflation in which small concessions to inflationist parties can be presently enlarged out of all proportion to their apparent significance (April 7).</p>	<p>Evidences of improvement in financial and banking conditions continue to develop (April 16).</p>	<p>Superabundance of loanable funds in the financial centers has been increased by large gold imports and by the unexpectedly small flotations of Government securities this month (March 26).</p>	<p>The money market has continued extremely easy, with the over-supply of funds reaching new high levels every week. Loans remained practically unchanged, reflecting the quiescent demand from industry (April).</p>
<p>The important upward move in bonds has already occurred, and the momentum for vigorous advance is lacking (April 7).</p>	<p>There have been steady advances in the security markets. Bond prices have risen almost continuously. Early in April the index of all bonds had reached a new high for the year (April 16).</p>	<p>A considerable amount of the money derived from gold imports has already found its way into the security markets, particularly in the purchase of bonds, and has tended to strengthen security prices (March 26).</p>	<p>Combined net profits, less deficits, of some 1,475 manufacturing and trading companies, classified in 55 major industrial groups, show a 2.6% rate of return upon net worth in 1933 as contrasted with a net deficit in 1932 (April).</p>
<p>It becomes increasingly clear that a fair amount of industrial production occurred during February and March which represented an effort to secure supplies in advance of labor trouble or higher costs (March 31).</p>	<p>Volume of industrial production advanced from nearly 34% below normal in November to less than 24% below in March, and the gains are continuing in April (April 16).</p>	<p>In the leading industries, current trends are somewhat irregular but generally favorable. Steel mill operations early this month reached the highest point reported since last August (March 26).</p>	<p>Steel mill operations rose from 30% of capacity at the beginning of the year to 47.7% in the week ended March 10 (April).</p>
<p>Carloadings declined more than seasonally as the coal movement lightened (April 14).</p>	<p>We are now entering a period in which will be tested the effects of higher prices on demand, especially where the enhanced costs engendered by the new deal will have to be shouldered by the consumers (April 16).</p>	<p>Department store sales have closely followed seasonal tendencies and remain considerably above last year's level, while retail trade in some sections has increased rapidly in the last few weeks (March 26).</p>	<p>Retail sales figures show the broadest gains in many years. During February department store sales, in dollars, were 16% larger than a year ago, and mail order and chain store sales about 15% larger (April).</p>
<p>The country's major financial problem, involving the furnishing of relief to millions of unemployed persons, arises in large measure from the prostration of the building industry (March 31).</p>	<p>Probable advances in the price of many commodities may operate to check demand and production, and will complicate the difficulties of establishing desired price parities between agricultural products and industrial goods (April 16).</p>	<p>Construction contracts declined sharply in February but remained above the level of a year ago, and governmental aid gives promise of further improvement (March 26).</p>	<p>Building figures show a pronounced improvement. During the first 22 days of March contract awards were 69.7% greater than in February, on a daily average basis, and 235.9% above a year ago (April).</p>
<p>So far as the farm population is concerned there is a continuous addition to total buying-power in the payments by the Federal government to farmers as benefits for acreage and supply reduction (April 14).</p>	<p>Advances in wholesale prices of commodities were vigorous in the second quarter of last year, but since last July they have been small and irregular (April 16).</p>	<p>Farm prices have risen much more rapidly than the prices of commodities that the farmers buy, although this price improvement is difficult to trace to the activities of the A.A.A. (March 26).</p>	<p>The longest step yet taken toward a centralized control of agriculture in this country is the limitation of the coming cotton crop, as provided by the Bankhead bill, which has passed the House and Senate, and is now in conference (April).</p>
<p>While there has recently been a slight sag in the level of commodity prices at wholesale, the price situation can still be considered sufficiently firm to make any new adjustments in the price of gold unlikely for some time (April 14).</p>	<p>The world's industrial activity has been expanding for nearly two years after having contracted continuously and almost steadily for three years (April 16).</p>	<p>The most disquieting possibility in the outlook for the Government's price-raising efforts is not that they will fail but that they will succeed too well (March 26).</p>	<p>As it becomes necessary to mark prices higher, due to rises in replacement costs and in expense of operation, merchants have less confidence in their ability to move a full volume of goods over retail counters (April).</p>
<p>We have no large amount of export business in capital goods (March 31).</p>	<p>February factory employment increased by about 6%, which is more than the normal seasonal advance. Factory payrolls moved up by 12%, or twice as much as the increase in the number of workers (April 16).</p>	<p>No nation in the world today is in a strong enough economic position to disburse large additional sums for armaments without jeopardizing its chances for economic recovery (March 26).</p>	<p>The direct cause of unemployment has been a state of worldwide disorder in trade relations which has been beyond the control of any individual employer or group of employers (April).</p>
<p>Any major interruption in trade does not appear likely as the result of the many scattered cases of labor trouble (March 24).</p>		<p>A very encouraging gain is reported in industrial employment during February (March 26).</p>	<p>Disputes over wages and hours are threatening in several industries, and they are a menace to the business improvement (April).</p>